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Chairman
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House Meets at 10:00 a.m. for Legislative Business

Anticipated Floor Action:

H.J. Res. 37—Tax Limitation Constitutional Amendment
H.R. 1376—Extending Tax Benefits to American Military Personnel in Yugoslavia



H.J. Res. 37—Tax Limitation Constitutional Amendment

Floor Situation: The House will consider H.J. Res. 37 as its first order of business today. On Tuesday, the Rules Committee granted a structured rule that provides three hours of debate, equally divided between the chairman and ranking member of the Judiciary Committee. The rule makes in order one amendment if offered by Mr. Gephardt or his designee, which is debatable for one hour. Finally, the rule provides one motion to recommit, with or without instructions.

Summary: H.J. Res. 37 proposes an amendment to the Constitution to require a two-thirds majority vote for passage of any legislation that will result in a tax increase (of more than a de minimis amount) when considered by the House and Senate. The bill allows Congress to waive this supermajority requirement to pass a tax increase (1) during a period of declared war between the U.S. and another country, or (2) when Congress and the president enact a resolution stating that the U.S. is engaged in a military conflict that threatens national security. Tax legislation enacted under this waiver can be in force for no longer than two years after its enactment.

Any proposed amendment to the Constitution must receive a two-thirds majority vote of members present and voting in the House and Senate in order to be forwarded to the states for ratification. A total of 38 state legislatures, or 75 percent, must support the proposed amendment within seven years of its passage by Congress in order for it to become effective.

CBO estimates that enactment will have no significant impact on the federal budget. The resolution was introduced by Mr. Barton and was not reported by a House committee.

Views: The Republican leadership supports passage of the resolution. The president is not required to sign a proposed amendment to the Constitution; however, the administration has expressed opposition to the resolution.

Amendments: Although the rule makes in order a possible amendment by Mr. Gephardt or his designee, the *Legislative Digest* was unaware at press time of any such amendment or whether the minority leader intends to offer one.

Additional Information: See *Legislative Digest*, Vol. XXVIII, #9, April 9, 1999.



H.R. 1376—Extending Tax Benefits to American Military Personnel in Yugoslavia

Floor Situation: The House will consider H.R. 1376 after it completes consideration of H.J.Res. 37. Yesterday, the Rules Committee granted a closed rule that provides one hour of general debate, equally divided between the chairman and ranking member of the Ways & Means Committee. The rule makes in order a committee amendment in the nature of a substitute as base text and waives all points of order against consideration of the bill. Finally, the bill provides one motion to recommit, with or without instructions.

Summary: H.R. 1376 requires the Internal Revenue Service (IRS) to extend certain exemptions and benefits in the tax code, which apply to personnel serving in a combat zone, to U.S. military personnel who currently are serving in a qualified hazardous duty area as part of Operation Allied Force in Yugoslavia. Under the bill, qualifying areas include the Federal Republic of Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea, and the northern Ionian Sea. For these military personnel, the bill provides tax benefits to:

- * exclude hazardous duty combat pay (a salary bonus for serving in a hostile area) from income for tax purposes;
- * extend deadlines for filing tax returns (e.g., troops who receive hazardous duty pay in Yugoslavia will not be required to file 1998 taxes during the time of their service and for 180 days afterward);
- * forgive income taxes and reduce the estate taxes of active service personnel who die in the combat zone or from wounds incurred in the combat zone;
- * exempt military pay from income for any month in which military personnel serve in a combat zone;
- * exempt toll telephone service that originates in a combat zone from the three percent telephone excise tax; and
- * permit spouses to file a joint return even if the military spouse becomes missing in action as a result of service in a combat zone.

The bill also extends a number of these benefits to civilian personnel who are supporting the military operations in the region. The bill provides the tax filing extension to civilian personnel who have been relocated to support the overall mission, a provision that by law the president cannot extend through executive order. Finally, the bill ensures that military personnel who perform services outside of the designated areas—but who still participate in Operation Allied Force—will qualify for certain tax benefits, provided that those services are performed both outside the United States and while deployed away from that individual’s duty station. The bill applies the tax benefits retroactively to March 24, 1999 (the date on which Operation Allied Force commenced).

On April 13, 1999, the president signed an executive order designating the Federal Republic of Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea, and the northern Ionian Sea as a combat zone for purposes of the Internal Revenue Code. The Joint Committee on Taxation estimates that enactment will reduce governmental receipts by \$22 million over the FY 1999-2009 period. However, because the president signed the executive order before the measure was enacted, the revenue loss will be negligible. A CBO cost estimate was unavailable at press time. The bill was introduced by Mr. Archer *et al.* and was reported by the Ways & Means Committee by voice vote on April 13, 1999.

Views: The Republican leadership supports passage of the measure. An official Clinton Administration viewpoint was unavailable at press time.

Additional Information: See *Legislative Digest*, Vol. XXVIII, #9, Pt. III, April 13, 1999.



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